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TAGS: [PGOV](#) [EAGR](#) [VE](#)
SUBJECT: PROBLEMS WITH VENEZUELAN COOPERATIVES

Classified By: POLITICAL COUNSELOR ABELARDO A. ARIAS FOR 1.4 (D)

11. (C) Summary: Rural cooperatives are a pivotal part of Venezuelan President Hugo Chavez's land redistribution effort. Thousands of agricultural cooperatives are forming to petition land and monetary grants from the GOV as participants in Chavez's "Mision Vuelvan Caras" job training program complete their instruction. At the same time, many cooperatives, lacking sufficient GOV support and plagued with land and financial disputes, are folding. In the near term, failures of rural cooperatives will not pose significant political problems for Chavez because Venezuela's population is about 90 percent urban; Chavez has a strong personal commitment to this program. End summary.

12. (C) Venezuelan President Hugo Chavez regularly hails cooperatives as a key to his plan to redistribute land and develop the agricultural sector. Some 90 percent of Venezuelan cooperatives are agricultural, although mining, carpentry, oil services, and other technical businesses have also been collectivizing under Chavez, according to former Agriculture Minister Hiram Gaviria.

13. (U) Most members of farming cooperatives are graduates of Chavez's "Mision Vuelvan Caras" (About Face Mission) job training program. Roughly half of Vuelvan Caras graduates are involved in the agricultural sector; other sectors include tourism, light industry, infrastructure management, etc., according to the official website. Vuelvan Caras participants--who often join up along with family members--receive six months of training while receiving a "scholarship" of about 80 dollars a month. After completing their instruction, Vuelvan Caras participants form cooperatives of six to eight people, propose a project, and those planning to farm receive rights to work collectively a plot of sometimes expropriated or--in the parlance of the GOV--"rescued" land to realize their proposal. Popular Economy Minister Elias Jaua told reporters the GOV spends over USD 400 million to run each six-month program and then nearly USD 300 million to finance cooperatives that form in each graduating class.

14. (U) In March and May, over 500,000 participants completed the Vuelvan Caras program, and Chavez used his 5 June "Alo Presidente" broadcast to celebrate the formation of their new cooperatives. During the program, Chavez announced the GOV would grant letters allowing peasants to farm some 32,000 hectares of a "rescued" ranch. The ranch's legal adviser objected the same day that only the courts had the authority to declare the ranch public land.

Problems

15. (C) Former Agriculture Minister Hiram Gaviria told poloff the missions he visited were providing adequate training, but he predicted the GOV would not provide the money, technical assistance, supplies, and support in bringing products to market that the graduates would need to keep their cooperatives afloat. Manuel Gomez, the anti-Chavez director of a Venezuelan peasant advocacy NGO, told poloff in late May the GOV had spent millions of US dollars on construction for a cooperative in Miranda State that was not able to produce. He said over 50,000 cooperatives were registered with the government, but determining how many really existed was impossible because cooperatives tended to fold as fast as they formed.

16. (C) Inter- and intra-cooperative disputes are common. Gomez told poloff a group of peasants were up in arms because the GOV had booted them from the land used for the aforementioned Miranda cooperative. Vuelvan Caras participants in Monagas State in late May also protested that the National Land Institute was planning to grant 500 hectares of local private land to cooperatives from another area, according to press reports. A pro-Chavez website noted that the director of the GOV office overseeing cooperatives said his entity daily received over 20 complaints, 45 percent

of which stemmed from financial disputes between cooperative members. A peasant asked by Chavez on his "Alo Presidente" show if he had been planning to form a cooperative responded that members of such groups ended up fighting amongst themselves. Not satisfied with his explanation that

cooperatives were organized poorly, Chavez finally talked the peasant into blaming the disputes on capitalism.

Crime Comes With Cooperatives

17. (C) Peasant organization leader Manuel Gomez said a Venezuelan secret police (DISIP) officer confided to him that the GOV's agrarian reform was "creating chaos." According to the officer, scam artists promising land and cash grants were charging peasants to sign up for fake cooperatives. DISIP officers were investigating organizations with "campesino" (peasant) in the title to try to catch the swindlers, Gomez said.

Comment

18. (C) Although many cooperatives are failing, they are unlikely to be a political liability for Chavez in the near term. Many peasants, who fall for "get land quick" schemes, are still looking to Chavez to solve their problems. If they ever do turn on Chavez, they will not constitute a significant voting bloc. Indeed, Chavez's tirades against rich landowners more likely are aimed at the roughly 90 percent of the population that is urban and has little understanding of rural issues. Chavez has a strong personal commitment, however, to strengthening cooperatives and small farmers, since they buttress his vision of a more self-sufficient, non-capitalist, revolutionary society.

19. (C) The GOV, determined to spend its oil bonanzas on programs that are both politically profitable and which point to a "non-capitalist" path to development, is likely to keep pumping money into these cooperatives. At best, they may provide a subsistence living for some peasants. But without attacking the chronic problems of Venezuelan agriculture, most notably unfavorable exchange rate policies (the current availability of foreign exchange at preferential rates for food imports is the latest chapter in a long history of anti-farmer policies), it is difficult to expect much real benefit from the cooperative program.
Brownfield